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JAPAN: Prime Minister Sato is speaking more about moving toward the normalization of relations with Peking.

With the resolution of the China issue in the UN, the prime minister is faced with mounting demands at home for a rapid improvement in relations with Peking. He now has publicly stated that official negotiations must begin that would lead to recognition. He intends to dispatch a high-level Liberal Democratic Party emissary to Peking to pave the way for a visit by either himself or Foreign Minister Fukuda. The ruling party's executive board, after long deliberation, has reached agreement on a resolution which acknowledges that the Peoples Republic represents China.

This past week in Diet debate Sato made what the press termed the first formal Japanese apology for its wartime actions on the mainland and said that Peking need have no fear of a Japanese militaristic revival. Two days ago Sato admitted that the logical foundations for the 1952 Japan - Republic of China Peace Treaty had crumbled with the passage of the Albanian Resolution. While he stated flatly that his government would not abrogate the treaty as a pre-condition for negotiations with Peking, both he and Fukuda have expressed a willingness to consider the treaty a matter for discussion.

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NORTH VIETNAM: The effects of recent floods may hamper agricultural output for the next year and increase dependence on food imports.

It is now clear that the regime views agricultural prospects with considerably less optimism than was the case a month ago. To make up for rice losses, the minister of domestic trade has announced the institution of a "winter crop" in addition to the spring and autumn crops. The winter crop will consist basically of secondary crops which can be harvested in 50 to 80 days. The new program's success will depend in part on increasing the acreage in miracle rice strains, which can be planted some two months later than traditional rice strains.

Considerable effort will be required to restore the irrigation system, which is essential for cultivation during the dry season. A large number of pumping stations appear to have been damaged. Photography shows extensive breaching of irrigation canals, which will have to be repaired before water can be channeled from the rivers to distant fields in the countryside. Silt deposits to some degree will block other irrigation canals in flooded areas. Reconstruction of irrigation facilities may take up to one year, in which case both the fifth- and tenth-month rice crops in 1972 would be affected. The urgency of the repair effort apparently is requiring that manpower be taken from the schools.

Other effects of the flood have been largely brought under control. By mid-October the country's main rail arteries were back in service, but there was still considerable damage to secondary road systems. Most industrial operations probably were resumed well before the end of September, although a few plants were idle due to transportation bottlenecks. The regime appears to have acted quickly and effectively to stem hazards to health and the outbreak of epidemics.

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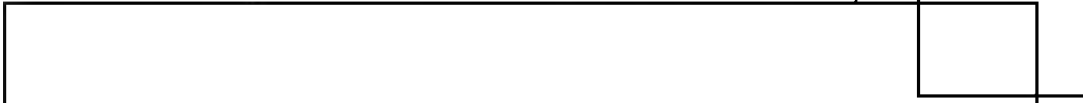
THAILAND: A round of increased political maneuvering appears under way in the military-dominated government.

A major cause of restiveness may be uncertainty that Prime Minister Thanom, who is also supreme commander of the armed forces, will indeed leave office in early 1973 when the next parliamentary elections are scheduled. Both military and political elements claim to be frustrated over Thanom's indecisive leadership. Although this is partially true, most critics are younger officers who appear chiefly motivated by ambition and want to be in position for political advancement as the present top leadership retires within the next few years.



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A related factor stimulating restiveness is the fact that supporters of both Thanom and Praphat are intensifying their maneuvering for positions of advantage before the expected transition. Although internal dissatisfaction and overt criticism have reached a relatively high level, the political situation is still far from the crisis stage.



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EUROPEAN COMMUNITIES: West Germany is continuing its efforts to lead the EC toward a solution of the present monetary situation.

Chancellor Brandt recently sent President Pompidou a personal message expressing his willingness to meet with the French President on the international monetary situation. Following this, at an EC Council meeting, the German representatives urged that the EC work out an interim solution to current problems, including new exchange rates, by the end of the year if a worldwide solution does not emerge from the November meeting of the Group of Ten. They also suggested that the EC adopt a flexible position in talks with the US.

Within the Community the Germans have shown a willingness to compromise to achieve the accommodation with France that is necessary for a Community solution. They are now prepared to consider some controls over capital movements to curb speculative flows, as the French have urged. In an additional gesture to the French, Germany has become more flexible on agricultural policy measures that must accompany a realignment of EC currencies. Although Agriculture Minister Ertl had stated earlier that Germany would probably maintain its present system of compensatory taxes and subsidies for agricultural trade even after a realignment of parities, Germany has recently reassured the EC that it would not follow any such unilateral policy. Instead, Bonn would consider other solutions for maintaining farm income following revaluation, such as a change in the unit of account on which agricultural prices are based, as suggested by Pompidou, or larger refunds to farmers from the value-added tax on farm products.

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USSR: A new party and government decree pledges a boost in the quantity and quality of consumer goods production, re-emphasizing the leadership's support for this sector.

The decree states that the output of selected consumer goods in 1971-75 will rise by 90 percent over that of 1970. It also stresses the need to improve their quality and variety. Party chief Brezhnev at the 24th Party Congress last spring promised that a program on consumer goods would be forthcoming.

Regarding implementation, the decree demands that party and government organizations stop enterprises from cutting the production of "items in great demand." It warns that the fulfillment of the main success indicators and formation of incentive funds in enterprises producing mainly non-consumer items will be directly dependent upon their consumer goods production. In addition, the decree provides for the creation of a reserve fund to subsidize the production of those consumer items "having a comparatively low profitability."

The traditional Soviet emphasis on heavy industry and a price and incentive system directed toward that end have conspired against the production of an adequate supply of consumer goods. This decree represents an attempt to satisfy the consumer without reordering the economy's basic priorities. It relies on direct administrative control of the enterprise to order the output of more consumer goods rather than on economic levers such as a more rational price system.

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SUDAN-USSR: Some improvement in relations appears to be in the offing, but the Sudanese continue to explore alternate arms sources.

Soviet officials in Khartoum are trying to resume working relations with the Sudanese. The Sudanese minister of economy told US officials that the Soviet economic counselor recently called on him for the first time since the coup and counter-coup last July. The Soviet official specifically cited the Soviet-Sudanese economic agreement and said that, despite press reports to the contrary, the USSR would still be taking Sudanese cotton in return for sugar and other products.

There have been virtually no deliveries of Soviet military equipment since last July, and Khartoum is becoming increasingly concerned about spare parts, because 60 percent of its equipment is of Soviet origin. Sudan will resort to cannibalization to keep its Soviet equipment in operation, according to the Sudanese minister of information and culture. Khartoum, however, is also interested in developing new arms sources--possibly British or Libyan--to support the rest of its equipment. As further evidence of the Sudanese desire to stay out of the grip of the Soviets, the minister said that Khartoum had no real need for the Soviet-supplied MIG-21s, surface-to-air missiles, and heavy tanks.

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EAST PAKISTAN: General economic activity is slowly increasing, but Mukti Bahini actions are keeping the vital jute and tea industries depressed.

Large areas of the jute crop have gone unharvested, and there are reports of increased smuggling to India. Jute exports declined sharply in October as port stocks were exhausted. Stocks upcountry are high, but the Mukti Bahini have disrupted land and water transport, and movement from the main growing areas in north Bengal is far below normal.

Although jute mills still have large raw jute stocks because of reduced operations, Mukti Bahini threats to mill workers and sabotage of power plants and transmission lines have held output to about half of normal. As a result, raw and manufactured jute exports are expected to decline more than 50 percent in the current fiscal year.

This year's tea harvest is expected to be only about one quarter of last year's crop, and even this small amount will not reach the ports unless transport routes can be opened. The major tea producing district is virtually cut off from the rest of the province, and acute shortages of diesel fuel and gasoline have already closed almost three quarters of the tea processing plants.

Meanwhile, people are returning slowly to the cities and labor attendance is up. Retail trade in October was up five to ten percent over the previous month but is still generally less than half of the pre-March level. Rice prices declined somewhat from their peak in mid-October but remain 20 percent above last year's price. Many basic consumer goods are in short supply in the cities and nonexistent in the countryside.



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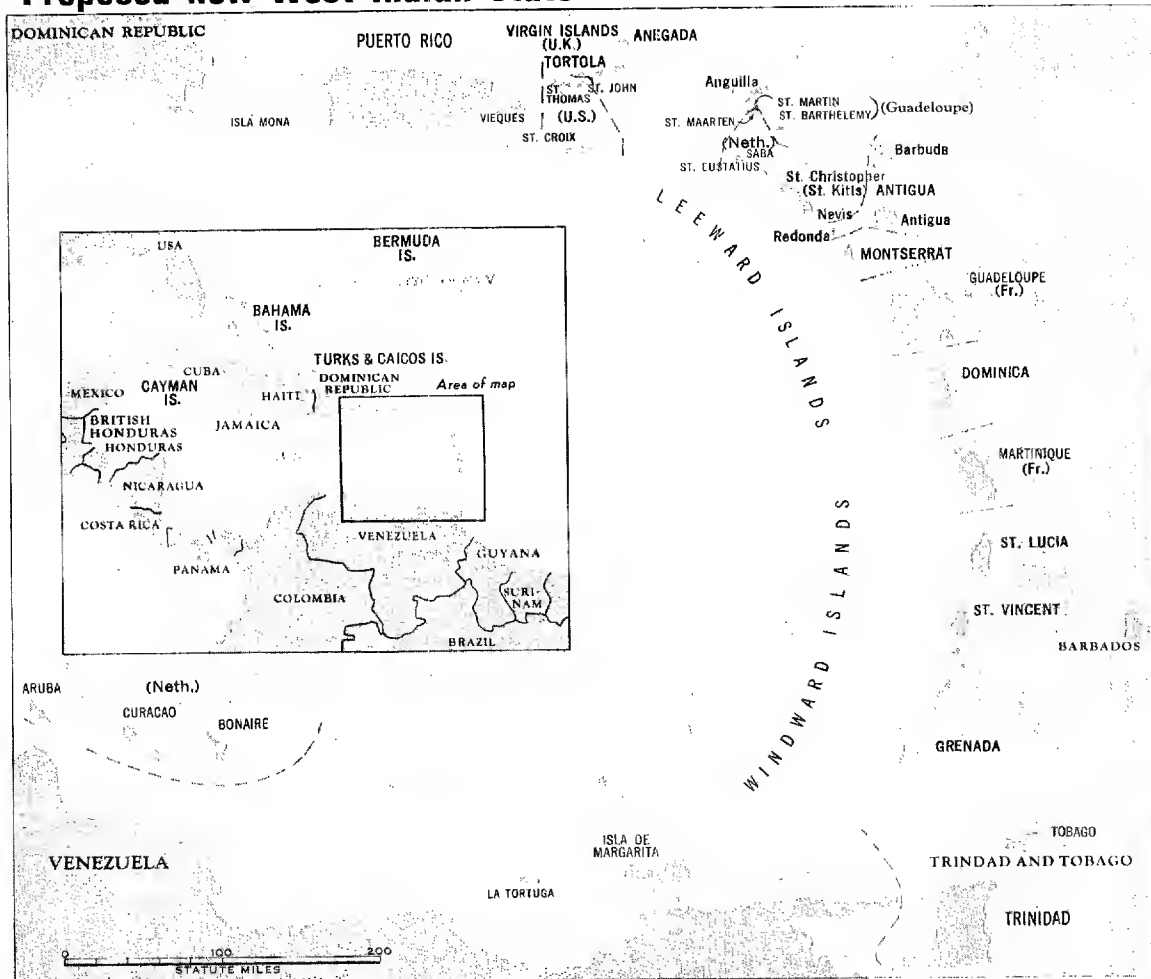
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Proposed New West Indian State



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CARIBBEAN: The projected West Indies nation faces major difficulties.

The ambitious plan, announced on 1 November, calls for the union of Guyana with five British West Indian Associated States. It was developed under the aegis of Prime Minister Burnham of Guyana, who sees himself as the leader of a unified Caribbean. Its chances for success are dimmed, however, by the disinterest of other equally strong premiers from Jamaica, Barbados, and Trinidad-Tobago and the unwillingness of the sixth Associated State, Antigua, to join at present.

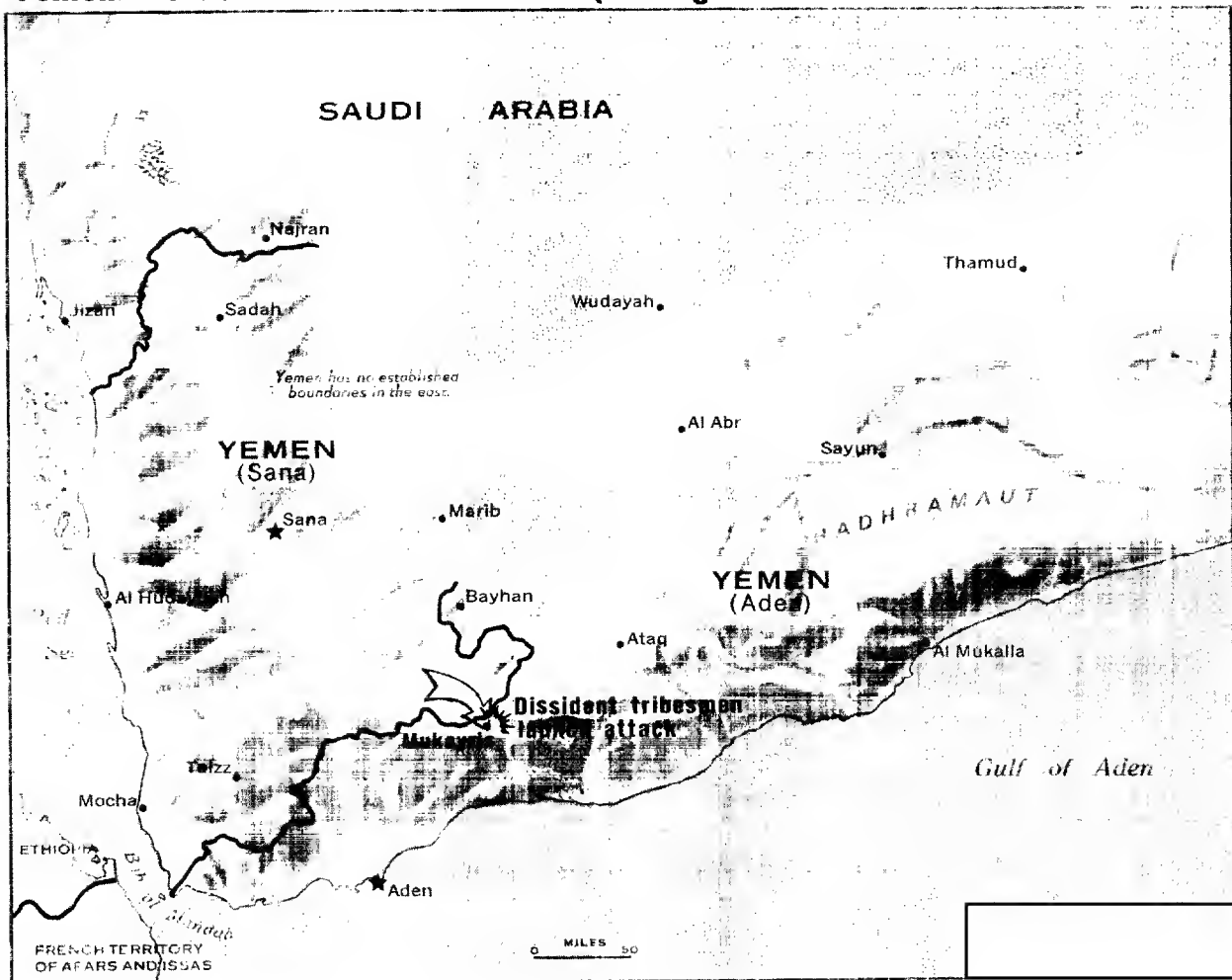
The plan's timetable calls for the establishment by 30 November of a preparatory commission supported by a policy-making council of ministers. A constituent assembly has been scheduled for 1 January 1972 to draft a constitution, which will then be subject to parliamentary approval by the various participants. After the constitution is promulgated in 1973, the Associated States of Grenada, St. Vincent, St. Lucia, Dominica, and St. Kitts-Nevis-Anguilla are to terminate their status with the UK.

Although a genuine desire exists on the part of the smaller states to establish a union within which they will have a larger voice in the political and economic affairs that directly concern them, they still face many of the same problems that caused the breakup of the West Indies Federation in 1962, after only four years of existence. Insular attitudes, petty jealousies, and lack of grass-roots support for federation are only a few of the more outstanding problems. In addition, some of the states do not want to jump from an association dominated by the UK to one dominated by Guyana. Efforts to lure Jamaica, Barbados, and Trinidad-Tobago into the latest scheme have not produced much success, although Trinidad-Tobago has donated \$7,500 for expenses. Without one or more of these larger and more stable governments participating, it is doubtful that the new state could prove economically or politically viable.

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Yemeni Border Incursions on the Upswing



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NOTES

YEMEN (SANA) - YEMEN (ADEN): A tribal force affiliated with the National Unity Front (NUF), which is based in Yemen (Sana), attacked the Yemen (Aden) town of Mukayris last Sunday. The Adeni prime minister claims the invaders were repelled and that US arms and ammunition were captured. The NUF, a heterogeneous collection of dissidents [REDACTED] is being urged by the Sana government to establish bases in Yemen (Aden), thereby eliminating the justification for punitive raids by Adeni forces like the one in mid-October. [REDACTED] Adeni forces are even now preparing for another thrust into Yemen (Sana) against NUF sanctuaries located near the Adeni town of Bayhan. [REDACTED]

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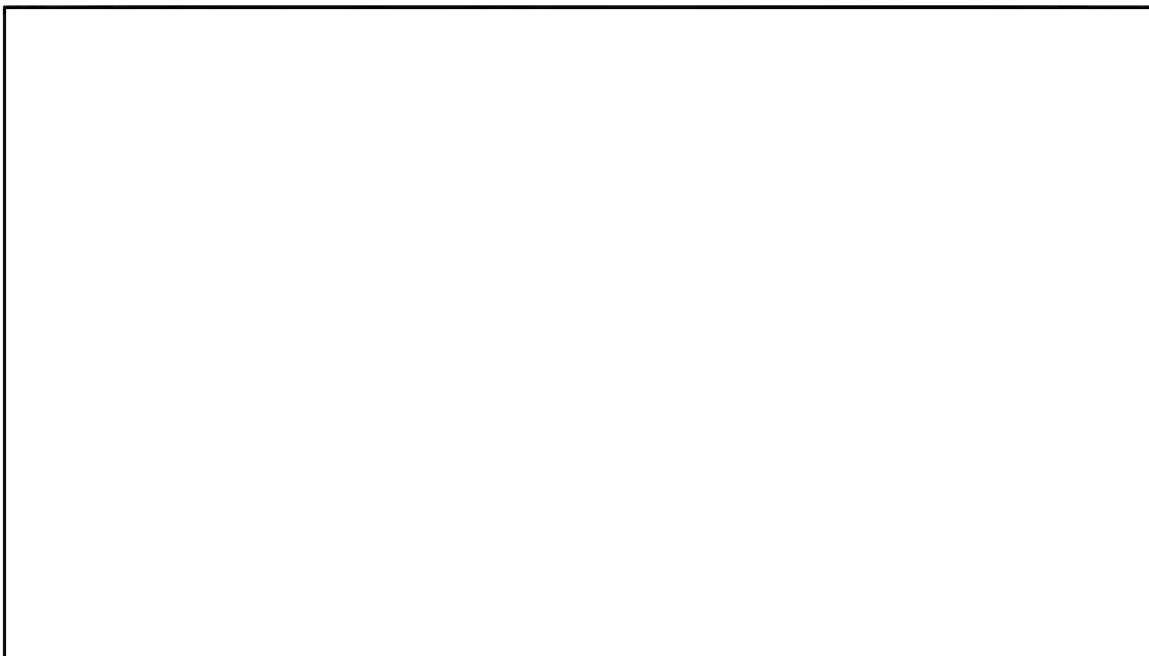
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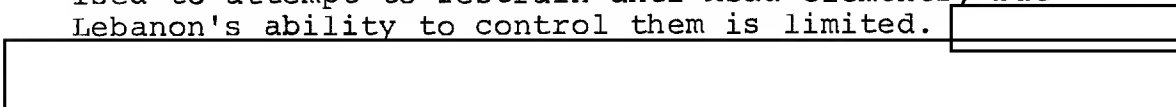
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SYRIA: President Asad reportedly is increasingly concerned over the anti-regime activities of Syrian exiles and Iraqi Ba'thists. Asad has appealed to Lebanon, the scene of much alleged coup plotting and Iraqi-sponsored propaganda, to curb his rivals. Beirut, which has improved relations with Damascus since Asad took power a year ago, has promised to attempt to restrain anti-Asad elements, but Lebanon's ability to control them is limited.

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PERU - COMMUNIST CHINA: The two countries yesterday announced the establishment of full diplomatic relations. According to the joint communiqué, Peru recognizes Peking as the sole legal government of China, and "takes note" of Peking's claim to Taiwan. Peking recognizes Peru's sovereignty over 200 miles of territorial waters. Cuba and Chile are the only other Latin American countries enjoying formal ties with Communist China, although Argentina presently is engaged in negotiations aimed at establishing diplomatic relations.

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EQUATORIAL GUINEA: The government has pardoned a few of the many minority tribesmen arrested last August for alleged plotting. The highest ranking suspect, the vice president, has been restored to office. What had been portrayed as either a coup attempt or a secessionist effort seems now to have been largely fabricated by President Macias as a pretext to eliminate potential foes. Macias' neglect of Equatorial Guinea's deteriorating economy may yet cause his downfall, but the President appears to have emerged from this latest episode stronger than ever.

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VENEZUELA: The government is realistically appraising international marketing conditions and apparently will not raise petroleum tax reference values for 1972 much above present levels. The values, which are used to calculate oil company income taxes, were raised sharply at the beginning of 1971 when international demand for Venezuelan oil was very strong. This year, however, Venezuela's exports have slowed as foreign demand weakened, and crude oil production at the end of September had dropped to three million barrels per day compared with a daily average of 3.7 million during 1970. Although production is likely to recover in November-December when seasonal demand for heating oil increases, crude oil output this year is still expected to be about two percent below 1970's record high of over 1.3 billion barrels.

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